

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name MAYFIELD TOWNSHIP	County LAPEER
Audit Date 6/30/2004	Opinion Date 8/27/2004	Date Accountant Report Submitted to State: 11/4/2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | | |
|---|--|---|
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |


We have enclosed the following:

The letter of comments and recommendations.

Reports on individual federal financial assistance programs (program audits).

Single Audit Reports (ASLGU).

Enclosed	To Be Forwarded	Not Required
X		
		X
		X

Certified Public Accountant (Firm Name) BROWN & KENT, PC			
Street Address 951 S MAIN ST, SUITE #3		City LAPEER	State MI
Accountant Signature 		ZIP 48446	Date 11/4/2004

**MAYFIELD TOWNSHIP
LAPEER, MICHIGAN**

**FINANCIAL REPORT
WITH ADDITIONAL INFORMATION
FOR YEAR ENDED JUNE 30, 2004**

MAYFIELD TOWNSHIP

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BROWN & KENT, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board Members
Mayfield Township
Lapeer, MI 48446

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mayfield Township (the "Township"), Lapeer, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Mayfield Township, at June 30, 2004, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1-A, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of June 30, 2004.

Management's Discussion and Analysis and the budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mayfield Township's basic financial statements. The accompanying other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Brown & Kent, P.C.

Certified Public Accountants

August 27, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MAYFIELD TOWNSHIP
LAPEER COUNTY
LAPEER, MICHIGAN**

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the Township Board of Mayfield Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of Mayfield Township for the fiscal year ended June 30, 2004.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$4,860,879. Of this amount, \$542,992 may be used to meet the Township's ongoing obligations to citizens and creditors.
- As of the close of current fiscal year, the Township's governmental funds reported combined ending fund balances of \$638,752, a decrease of \$58,003 in comparison with the prior year. Approximately 85 percent of the total amount, \$542,992, is available for spending at the Township's discretion.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$514,126, or approximately 48 percent of total general fund expenditures.
- The Township's total debt decreased by \$65,770, or 9.5 percent, during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The ***Statement of Net Assets*** presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The ***Statement of Activities*** presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (**governmental activities**) from other functions that are intended to recover all of a significant portion of their costs through user fees and charges (**business-type activities**). The governmental activities of the Township include general government, public safety, public works, cemetery, and building department operations. The business-type activities of the Township include *an airport*.

The government-wide financial statements can be found on pages 1-3 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds:

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Mayfield Township maintains nine (9) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Special Revenue and Fiduciary which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Township adopts an annual appropriate budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and other major funds to demonstrate compliance with this budget.

Proprietary funds. The Township maintains a single proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses an enterprise fund to account for its airport activity.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 11 of this report.

Notes to the financial statements. The notes provided additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12-22 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. Required supplementary information can be found on pages 23-29 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 31-34 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Mayfield Township, assets exceeded liabilities by \$4,860,879, at the close of the most recent fiscal year.

By far the most significant portion of the Township's net assets, approximately 85 percent, reflects its investment in capital assets, e.g., land, buildings, machinery, and equipment, less any related debt used to acquire those assets that is still outstanding. The Township used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table shows, in a condensed format, the net assets as of June 30, 2004. Prior year information is not available, because this is the first year of the implementation of GASB Statement No. 34. Comparative data will be presented in future years.

Mayfield Township's Net Assets

	Governmental Activities	Business-type Activities	Total
Current and Other Assets	\$ 663,417	\$ 114,279	\$ 777,696
Capital Assets	535,990	4,174,538	4,710,528
Total Assets	1,199,407	4,288,817	5,488,224
Long-term Liabilities	167,523	395,714	563,237
Other Liabilities	24,665	39,443	64,108
Total Liabilities	192,188	435,157	627,345
Net Assets:			
Invested in Capital Assets Net of Related Debt	368,467	3,752,258	4,120,725
Restricted	95,760	101,402	197,162
Unrestricted	542,992	-	542,992
Total Net Asset	\$ 1,007,219	\$ 3,853,660	\$ 4,860,879

The following table shows the changes in the net assets during the fiscal year ending June 30, 2004. Prior year information is not available, because this is the first year of the implementation of GASB Statement No. 34. Comparative data will be presented in future years.

Mayfield Township's Changes in Net Assets

	Governmental Activities	Business- type Activities	Total
Revenue			
Program Revenues:			
Charges for Services	\$ 179,904	\$ 134,869	\$ 314,773
Capital Grants and Contributions	-	1,213,746	1,213,746
General Revenue			
Property Taxes and Collection Fees	329,204	-	329,204
State-shared Revenue	547,915	-	547,915
Franchise Fees	25,738	-	25,738
Other Revenue	45,388	5,101	50,489
Total Revenue	1,128,149	1,353,716	2,481,865
Program Expenses			
General Government	396,962	-	396,962
Public Safety	380,459	-	380,459
Public Works	330,506	-	330,506
Cemetery	47,200	-	47,200
Building Department	73,070	-	73,070
Airport	-	164,950	164,950
Total Program Expenses	1,228,197	164,950	1,393,147
Change in Net Assets	<u>\$ (100,048)</u>	<u>\$ 1,188,766</u>	<u>\$ 1,088,718</u>

An additional portion of the Township's net assets, 4 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$542,992, may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The Township's net assets increased by \$1,088,718, during the current fiscal year due mainly to the new airport runway which was, for the most part, paid for by federal and state capital grants.

Governmental activities. Governmental activities decreased the Township's net assets by \$100,048.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. Noteworthy exceptions are: 1) Law Enforcement Services increased 11 percent to \$204,400, and 2) Roadwork increased 25 percent to \$269,000.

Business-type activities. Business-type activities increased the Township's net assets by \$1,188,766. Key elements of this increase are as follows: federal and state capital grants for the construction of the new airport runway in the amount of \$1,213,746.

Financial Analysis of the Township's Funds

As noted earlier, the Township used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Township's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a Township's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balance of \$638,752, a decrease of \$58,003, in comparison with the prior year. Approximately 85 percent of this total amount, \$542,992, constitutes *unreserved fund balance*, which is available for spending at the Township's discretion.

The General Fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the General Fund and the Total Fund balance was \$514,126. Unreserved fund balance represents approximately 53.8 percent of total general fund expenditures.

The fund balance of the Township's General Fund decreased by \$62,358, during the current fiscal year.

Proprietary funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Airport Fund at the end of the year amounted to \$101,402. The total growth in net assets was \$1,188,766. Other factors concerning the finances of the fund have already been addressed in the discussion of the Township's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were a \$17,000 increase in appropriations. The most significant increase was an increase to Drains expense of \$14,000.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental and business-type activities as of June 30, 2004, amounts to \$4,710,528, *net of accumulated depreciation*. This investment in capital assets includes land, buildings, improvements, machinery and equipment. The total increase in the Township's investment in capital assets for the current fiscal year was 31.25 percent (a 13.67 percent decrease for governmental activities and a 40.64 percent increase for business-type activities).

Major capital asset events during the current fiscal year include the replacement of the airport runway and the replacing of several office computers.

Details of the Township's capital assets are continued in the notes to the financial statements on pages 19-20.

Long-term debt. At the end of the current fiscal year, the Township had total installment debt outstanding of \$589,802.

Additional information on the Township's long-term debt can be found in the notes on pages 20-21.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues. State-shared revenues are expected to decrease in the 2004-2005 fiscal year. The Township budgeted for a decrease in the state-shared revenue. The Township's millage rate was reduced again by the Headlee Amendment rollback to 1.5823 mills for general operating purposes. These factors were considered in preparing the Township's budget for the 2004-2005 fiscal year.

During the current fiscal year, unreserved fund balance in the General Fund decreased to \$514,126. The Township's 2004-2005 General Fund budget shows expenditures of \$351,658, in excess of revenues, which would leave an unreserved fund balance in the General Fund of \$162,468, at June 30, 2005.

Requests for Information

This financial report is designed to provide a general overview of Mayfield Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Mayfield Township Clerk, 1900 N. Saginaw Road, Lapeer, MI 48446.

BASIC FINANCIAL STATEMENTS

**MAYFIELD TOWNSHIP
STATEMENT OF NET ASSETS
JUNE 30, 2004**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 343,000	\$ 107,713	\$ 450,713
Investments	198,622	-	198,622
Accounts Receivable - Fireruns	29,240	-	29,240
Accounts Receivable - State Shared Revenue	89,432	-	89,432
Accounts Receivable - Other	3,123	6,566	9,689
Total Current Assets	<u>663,417</u>	<u>114,279</u>	<u>777,696</u>
Capital Assets			
Land and Improvements, Net of Depreciation	22,374	3,348,388	3,370,762
Building and Improvements, Net of Depreciation	351,301	795,355	1,146,656
Equipment, Net of Depreciation	43,941	30,795	74,736
Municipal Water System, Net of Depreciation	97,674	-	97,674
Vehicles, Net of Depreciation	20,700	-	20,700
Total Capital Assets	<u>535,990</u>	<u>4,174,538</u>	<u>4,710,528</u>
TOTAL ASSETS	<u><u>\$ 1,199,407</u></u>	<u><u>\$ 4,288,817</u></u>	<u><u>\$ 5,488,224</u></u>
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 23,073	\$ 2,494	\$ 25,567
Accrued Payroll	1,592	-	1,592
Deferred Income	-	7,500	7,500
Deposits Payable	-	1,960	1,960
Unearned Rent	-	924	924
Current Portion of Long-term Debt	-	26,565	26,565
Total Current Liabilities	<u>24,665</u>	<u>39,443</u>	<u>64,108</u>
LONG-TERM DEBT, Net of Current Portion	<u>167,523</u>	<u>395,714</u>	<u>563,237</u>
TOTAL LIABILITIES	<u>192,188</u>	<u>435,157</u>	<u>627,345</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	368,467	3,752,258	4,120,725
Restricted for:			
Permanent Fund - Perpetual Care Fund	94,609	-	94,609
Building Department Operations	1,151	-	1,151
Airport Fund Operations	-	101,402	101,402
Unrestricted	<u>542,992</u>	<u>-</u>	<u>542,992</u>
TOTAL NET ASSETS	<u>1,007,219</u>	<u>3,853,660</u>	<u>4,860,879</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,199,407</u></u>	<u><u>\$ 4,288,817</u></u>	<u><u>\$ 5,488,224</u></u>

The accompanying notes are an integral part of the financial statements.

**MAYFIELD TOWNSHIP
STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE 30, 2004**

	Functions / Programs				
	Governmental Activities				
	General Government	Public Safety	Public Works	Cemetery	Drug Forfeiture
EXPENSES					
Salaries and Benefits	\$ 214,066	\$ 5,804	\$ -	\$ -	\$ -
Employment Taxes	12,747	437	-	-	-
Professional Services	32,959	357,695	-	39,666	-
Roads	-	-	268,827	-	-
Recycling	-	-	4,308	-	-
Street Lights	-	-	8,049	-	-
Mass Transportation	-	-	14,547	-	-
Management Fee	-	-	-	-	-
Interest	-	-	-	-	-
Bonds and Insurance	-	-	-	-	-
Depreciation	43,423	1,580	-	-	-
Other Program Expenses	<u>93,767</u>	<u>14,943</u>	<u>34,775</u>	<u>7,534</u>	<u>-</u>
TOTAL EXPENSES	396,962	380,459	330,506	47,200	-
PROGRAM REVENUES					
Charges for Services	2,935	60,051	3,185	40,592	265
Operating Grants and Contributions	-	-	-	-	-
Capital Grants and Contributions	-	-	-	-	-
NET PROGRAM (EXPENSES) REVENUES	<u>(394,027)</u>	<u>(320,408)</u>	<u>(327,321)</u>	<u>(6,608)</u>	<u>265</u>
GENERAL REVENUES					
Property Taxes					
Collection Fees					
State Shared Revenue					
Right of Way Fee					
Interest Income					
Cable TV Franchise Fee					
Rental Income					
Sale of Capital Assets					
Miscellaneous					
TOTAL GENERAL REVENUES					
CHANGE IN NET ASSETS					
NET ASSETS - BEGINNING					
NET ASSETS - ENDING					

The accompanying notes are an integral part of the financial statements.

Building Department	Total Governmental	Business-type Activities	
		Airport	Total
\$ -	\$ 219,870	\$ -	\$ 219,870
-	13,184	-	13,184
65,094	495,414	2,050	497,464
-	268,827	-	268,827
-	4,308	-	4,308
-	8,049	-	8,049
-	14,547	-	14,547
-	-	22,512	22,512
-	-	24,309	24,309
-	-	17,748	17,748
-	45,003	77,720	122,723
<u>7,976</u>	<u>158,995</u>	<u>20,611</u>	<u>179,606</u>
73,070	1,228,197	164,950	1,393,147
72,876	179,904	134,869	314,773
-	-	-	-
-	-	1,213,746	1,213,746
<u>(194)</u>	<u>(1,048,293)</u>	<u>1,183,665</u>	<u>135,372</u>
	292,232	-	292,232
	36,972	-	36,972
	547,915	-	547,915
	7,617	-	7,617
	11,080	590	11,670
	25,738	-	25,738
	22,477	945	23,422
	(2,111)	-	(2,111)
	<u>6,325</u>	<u>3,566</u>	<u>9,891</u>
	<u>948,245</u>	<u>5,101</u>	<u>953,346</u>
	(100,048)	1,188,766	1,088,718
	<u>1,107,267</u>	<u>2,664,894</u>	<u>3,772,161</u>
	<u>\$ 1,007,219</u>	<u>\$ 3,853,660</u>	<u>\$ 4,860,879</u>

**MAYFIELD TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004**

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 334,950	\$ 8,050	\$ 343,000
Investments	81,617	117,005	198,622
Due from Other Funds	179	-	179
Accounts Receivable	32,363	-	32,363
Accounts Receivable - State Shared Revenue	<u>89,432</u>	<u>-</u>	<u>89,432</u>
TOTAL ASSETS	<u><u>\$ 538,541</u></u>	<u><u>\$ 125,055</u></u>	<u><u>\$ 663,596</u></u>
LIABILITIES			
Accounts Payable	\$ 22,823	\$ 250	\$ 23,073
Accrued Expenses	1,592	-	1,592
Due to Other Funds	<u>-</u>	<u>179</u>	<u>179</u>
TOTAL LIABILITIES	<u>24,415</u>	<u>429</u>	<u>24,844</u>
FUND EQUITY			
Fund Balance			
Unreserved - Undesignated	<u>514,126</u>	<u>124,626</u>	<u>638,752</u>
TOTAL FUND EQUITY	<u>514,126</u>	<u>124,626</u>	<u>638,752</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 538,541</u></u>	<u><u>\$ 125,055</u></u>	<u><u>\$ 663,596</u></u>

The accompanying notes are an integral part of the financial statements.

Reconciliation of Total Governmental Funds Balances to Net
Assets of Governmental Activities

Total Governmental Funds Balances \$ 638,752

Amounts reported for Governmental Activities
in the Statement of Net Assets are different
because:

Capital assets used in Governmental
Activities are not financial resources and,
therefore, are not reported in the funds. 535,990

Long-term liabilities are not due and payable
in the current period and, therefore, are not
reported in the funds. (167,523)

Net Assets of Governmental Activities \$ 1,007,219

MAYFIELD TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR YEAR ENDED JUNE 30, 2004

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 329,204	\$ 1,344	\$ 330,548
Licenses and Fees	37,559	3,300	40,859
Intra-governmental	547,915	-	547,915
Charges for Services	45,575	110,168	155,743
Fines and Forfeits	6,772	265	7,037
Interest	6,192	4,888	11,080
Hall Rental	22,477	-	22,477
Other Revenue	19,204	-	19,204
	<u>1,014,898</u>	<u>119,965</u>	<u>1,134,863</u>
TOTAL REVENUES			
EXPENDITURES			
General Government	360,833	-	360,833
Building	-	73,070	73,070
Cemetery	-	47,200	47,200
Public Safety	379,917	1,340	381,257
Public Works	330,506	-	330,506
Debt Services:			
Principal Retirement	-	-	-
Interest	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>1,071,256</u>	<u>121,610</u>	<u>1,192,866</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(56,358)</u>	<u>(1,645)</u>	<u>(58,003)</u>
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	-	10,696	10,696
Operating Transfers Out	(6,000)	(4,696)	(10,696)
	<u>(6,000)</u>	<u>(4,696)</u>	<u>(10,696)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(6,000)</u>	<u>6,000</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(62,358)	4,355	(58,003)
FUND BALANCE - JULY 1, 2003	<u>576,484</u>	<u>120,271</u>	<u>696,755</u>
FUND BALANCE - JUNE 30, 2004	<u><u>\$ 514,126</u></u>	<u><u>\$ 124,626</u></u>	<u><u>\$ 638,752</u></u>

The accompanying notes are an integral part of the financial statements.

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities

Net change in fund balance -
Total Governmental Funds \$ (58,003)

Amounts reported for Governmental Activities
in the Statement of Activities are different
because:

Governmental funds report capital outlays as
expenditures. In the Statement of Activities,
the cost of those assets is allocated over
their estimated useful lives as depreciation
expense. This is the amount by which
depreciation exceeded capital outlays in
the current period. (35,332)

Governmental funds report the proceeds from
the sale of Capital Assets. In the Statement
of Activities only the gain or loss on the sale
of these assets is reported. This is the amount
by which the proceeds exceeded the gain or
loss in the current period. (6,713)

Change in Net Assets of Governmental Activities \$ (100,048)

**MAYFIELD TOWNSHIP
STATEMENT OF NET ASSETS
ENTERPRISE FUND
JUNE 30, 2004**

	<u>Airport Fund</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 107,713
Accounts Receivable - Other	<u>6,566</u>
Total Current Assets	114,279
Capital Assets	
Land and Improvements	3,348,388
Building and Improvements, Net of Depreciation	795,355
Equipment, Net of Depreciation	<u>30,795</u>
Total Capital Assets	<u>4,174,538</u>
TOTAL ASSETS	<u><u>\$ 4,288,817</u></u>
 LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 2,494
Deferred Income	7,500
Deposits Payable	1,960
Unearned Rent	924
Current Portion of Long-term Debt	<u>26,565</u>
Total Current Liabilities	39,443
 LONG-TERM DEBT, Net of Current Portion	<u>395,714</u>
 TOTAL LIABILITIES	<u>435,157</u>
 NET ASSETS	
Invested in Capital Assets, Net of Related Debt	3,752,258
Restricted for:	
Airport Fund Operations	101,402
Unrestricted	<u>-</u>
 TOTAL NET ASSETS	<u>3,853,660</u>
 TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,288,817</u></u>

The accompanying notes are an integral part of the financial statements.

MAYFIELD TOWNSHIP
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - ENTERPRISE FUND
JUNE 30, 2004

	<u>Airport Fund</u>
OPERATING REVENUES	
Charges for Services	\$ 134,869
Rental Income	945
Other Income	3,566
State Grants	<u>-</u>
TOTAL OPERATING REVENUES	<u>139,380</u>
OPERATING EXPENSES	
Bonds and Insurance	17,748
Contractual Services	300
Depreciation	77,720
Legal and Professional Fees	1,750
Licenses and Permits	510
Management Fees	22,512
Miscellaneous	2,688
Office Supplies and Expense	240
Printing and Publishing	-
Repairs and Maintenance	13,205
Telephone	50
Utilities	<u>3,918</u>
TOTAL OPERATING EXPENSES	<u>140,641</u>
NET OPERATING INCOME (LOSS)	(1,261)
NONOPERATING REVENUES (EXPENSES)	
Interest Income	590
Interest Expense	<u>(24,309)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(23,719)</u>
NET INCOME BEFORE CAPITAL CONTRIBUTIONS	(24,980)
CAPITAL GRANTS AND CONTRIBUTIONS	<u>1,213,746</u>
NET INCOME / CHANGE IN NET ASSETS	1,188,766
NET ASSETS - JULY 1, 2003	<u>2,664,894</u>
NET ASSETS - JUNE 30, 2004	<u><u>\$ 3,853,660</u></u>

The accompanying notes are an integral part of the financial statements.

**MAYFIELD TOWNSHIP
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR YEAR ENDED JUNE 30, 2004**

	<u>Airport Fund</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 130,898
Other Operating Revenues	4,511
Payments to Suppliers	<u>(60,599)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>74,810</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments of Long-term Debt	(24,812)
Interest Paid	<u>(24,309)</u>
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(49,121)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Capital Assets	(70,382)
Interest Income	<u>590</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(69,792)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(44,103)
CASH AND CASH EQUIVALENTS - JULY 1, 2003	<u>151,816</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2004	<u><u>\$ 107,713</u></u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net Operating Income	\$ (1,261)
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	77,720
Receivable (Increase) Decrease	(285)
Deferred Income Increase (Decrease)	(3,600)
Unearned Rent Increase (Decrease)	(86)
Payable Increase (Decrease)	<u>2,322</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 74,810</u></u>
NON-CASH INVESTING ACTIVITIES	
Assets aquired through Contributions	<u><u>\$ 1,213,746</u></u>

The accompanying notes are an integral part of the financial statements.

**MAYFIELD TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2004**

	Agency Funds	
	Trust and Agency	Current Tax Fund
ASSETS		
Cash in Bank:		
Demand Deposits	\$ 2,200	\$ -
Investments	-	-
	<u>2,200</u>	<u>-</u>
TOTAL ASSETS	<u>2,200</u>	<u>-</u>
LIABILITIES		
Deposits Payable	2,200	-
Due to Others	-	-
	<u>2,200</u>	<u>-</u>
TOTAL LIABILITIES	<u>2,200</u>	<u>-</u>
NET ASSETS	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

**MAYFIELD TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2004**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Mayfield Township (the "Township"), conform to accounting principles generally accepted in the United States of America applicable to state and local governments. The more significant accounting policies of the Township are described below.

A. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

In the fiscal year 2004, the Township adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.*
- Statement No. 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus.*

Statement No. 34 (as amended by Statement No. 37) represents a very significant change in the financial reporting model used by state and local governments.

Statement No. 34 requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund or account group, but distinguish between the Township's governmental activities, business-type activities, and activities of its discretely presented component units on the statement of net assets and statement of activities. Significantly, the Township's statement of net assets includes both non-current assets and non-current liabilities of the Township, which were previously recorded in the General Fixed Assets Account Group and the General Long-term Debt Account Group.

Statement No. 34 also requires certain required supplementary information in the form of Management's Discussion and Analysis, which includes an analytical overview of the Township's financial activities. In addition, a budgetary comparison statement is presented that compares the adopted and modified General Fund budget with actual results.

Statement No. 37 amends GASB Statements No. 21 and No. 34. The amendments to Statement 21 are necessary, because of the changes to the fiduciary fund Structure required by Statement 34. Generally, escheat property that was reported in an expendable trust fund in the previous model should be reported in a private purpose trust fund under Statement 34. Additionally, the amendments either, (1) clarify certain provisions that, in retrospect, may not be sufficiently clear for consistent applications, or (2) modify other provisions that the GASB Board believes may have unintended consequences in some circumstances. This statement became effective for the Township in fiscal year 2004.

The above Statements did not affect the Fund Balance of the Township.

MAYFIELD TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. REPORTING ENTITY

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that financial statements are not misleading. The primary government of the Township consists of all funds, departments, boards, and agencies that are not legally separate from the Township. For the Township, this includes providing police protection, fire services, road maintenance and repairs, cemeteries, and planning and zoning. The Board of Trustees and the Township Administrator have direct responsibility for these activities.

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority or the organization's governing board; and (1) the Township is able to significantly influence the programs or services performed or provided by the organization, or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Township is obligated for the debt of the organizations. Component units may also include organizations for which the Township authorizes the issuance of debt or the levying of taxes, or determines the budget.

Based on the aforementioned criteria, Mayfield Township has no component units.

C. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Township. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include; (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given program; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

FUND FINANCIAL STATEMENTS

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

**MAYFIELD TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2004**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. BASIS OF PRESENTATION (Continued)

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The Township has presented the following major governmental fund.

General Fund – The General Fund is the general operating fund of the Township. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

The Township has presented the following major enterprise (business-type) fund.

Airport Fund – The Airport Fund is used to account for all financial resources and expenditures of the Township airport.

Additionally, the Township has two agency fiduciary funds as follows:

Trust and Agency Fund – This fund is used to account for the collection and disbursement of performance and other deposits payable.

Tax Collection Fund – This fund is used to account for the collection and disbursement of property taxes assessed within the Township.

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

MAYFIELD TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING (Continued)

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income, and intergovernmental revenues. Sales taxes collected and held by the State at year-end on behalf of the Township are also recognized as revenue. All other Governmental Fund Type revenues are recognized when received.

Enterprise funds distinguish operating revenue and expense from non-operating items. Operating revenue and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. The principal operating revenue of our Enterprise Fund relates to charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

E. BUDGETS AND BUDGETARY ACCOUNTING

The Township Board follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) Prior to the beginning of the fiscal year, the Board proposes an operating budget for each budgetary fund. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. State statute requires that the budget be submitted in summary form. Also, more detailed line item budgets are included for administrative control.
- (2) A public hearing is conducted to obtain taxpayer comment.
- (3) The budgets are adopted by a majority vote of the Township Board.
- (4) Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
- (5) Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Amendments to the Budget are approved by the Township Board, as necessary.

F. CASH EQUIVALENTS

The Township considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

G. INVESTMENTS

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

MAYFIELD TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. INTERFUND TRANSACTIONS

Legally authorized transfers are treated as interfund transfers and are included in the results of operations.

I. CAPITAL ASSETS

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated Assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant, and equipment.

Assets capitalized have an original cost of \$500 or more for equipment and \$5,000 or more for non-equipment, and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Governmental

Buildings and Improvements	5-50 years
Equipment	5-20 years
Vehicles	5 years
Municipal Water System	50 years

Enterprise

Buildings and Improvements	20-50 years
Equipment	7-10 years
Land Improvements	25-50 years

J. NET ASSETS

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

K. INTERFUND RECEIVABLES AND PAYABLES

Short-term amounts owed between funds are classified as "Due to/from other funds."

L. USE OF ESTIMATES

The preparation of basic financial statements in conformance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

MAYFIELD TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2004

NOTE 2 – CASH AND EQUIVALENTS AND INVESTMENTS

All accounts are in the name of the Township and a specific fund or common account. They are recorded in the Township records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

STATUTORY AUTHORITY

Act 217, PA 1982, authorizes the Township to deposit and invest in:

- (1) bonds and other direct obligations of the United States or its agencies,
- (2) certificates of deposits, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations, or credit unions insured by the national credit union administration that are eligible to be a depository of surplus money belonging to the State under Section 5 or 6 of Act 105, PA 1855, as amended (MCL 21.145 and 21.146), and
- (3) mutual funds composed of investments, which are legal for direct investment of local government.

CASH AND EQUIVALENTS

A summary of cash and equivalents as of June 30, 2004 follows:

	Carrying Value	Bank Balance	Covered By FDIC Insurance
Cash			
Demand Deposits	\$ 253,398	\$ 303,954	\$ 265,439
Savings Deposits	199,250	199,250	191,478
Petty Cash	265	-	-
Total Cash	452,913	503,204	456,917
Certificates of Deposit	94,549	94,549	52,283
Total Cash & Certificates of Deposit	<u>\$ 547,462</u>	<u>\$ 597,753</u>	<u>\$ 509,200</u>

Bank balance does not reflect deposits in transit or outstanding checks.

FDIC Regulation Number 330.8, provides that deposits of a governmental unit are insured for the lesser of the amount of the combined deposit or \$100,000, in every financial institution that is not a branch location and that is a member of FDIC in the following deposit accounts:

- (1) All demand, non-interest bearing accounts (checking), in the name of the authorized or statutory custodian (treasurer) of public funds.
- (2) All savings deposits, which include regular passbook, daily interest savings, and time certificates of deposit in the name of the governmental unit's custodian.

**MAYFIELD TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2004**

NOTE 2 – CASH AND EQUIVALENTS AND INVESTMENTS (Continued)

INVESTMENTS

The Governmental Accounting Standards Board of the Financial Accounting Foundation Statement 3, includes the requirement that a government entity's investments be classified into three categories of credit risk. The categories are:

- (1) Insured or registered securities held by the government entity of its agent in the entity's name;
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name; and
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the entity's name.

The Township has invested \$104,073 with Comerica Bank in their Investment Fund. These mutual fund investments cannot be categorized, because they are not evidenced by securities that exist in physical or book entry form.

NOTE 3 – INTERFUND TRANSACTIONS

Operating Transfers

Operating transfers constitute the transfer of resources from the fund that received the resources to the fund that utilized them. The interfund transfers are as follows:

<u>Fund</u>	<u>Operating Transfer In</u>	<u>Fund</u>	<u>Operating Transfer Out</u>
Special Revenue		General Fund	\$ 6,000
Cemetery Operating Fund	\$ 10,696	Permanent Fund	
		Perpetual Care Fund	4,696
Total	<u>\$ 10,696</u>	Total	<u>\$ 10,696</u>

Interfund Receivables/Payables

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Fund</u>	<u>Interfund Payables</u>
General Fund	\$ 179	Special Revenue Fund	
		Crossing Guard	\$ 179
Total	<u>\$ 179</u>	Total	<u>\$ 179</u>

MAYFIELD TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2004

NOTE 4 – CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2004, was as follows:

	Balance 7-01-03	Additions	Deletions	Balance 6-30-04
Capital Assets Not Being Depreciated				
Land	\$ 22,374	\$ -	\$ -	\$ 22,374
Total Capital Assets Not Being Depreciated	22,374	-	-	22,374
Capital Assets Being Depreciated				
Building and Improvements	567,990	-	2,702	565,288
Equipment	187,810	9,671	43,846	153,635
Municipal Water System	170,858	-	-	170,858
Vehicles	96,813	-	54,470	42,343
Total Capital Assets Being Depreciated	1,023,471	9,671	101,018	932,124
Less Accumulated Depreciation For				
Building and Improvements	197,078	16,909	-	213,987
Equipment	100,465	13,011	3,782	109,694
Municipal Water System	69,767	3,417	-	73,184
Vehicles	57,734	11,666	47,757	21,643
Total Accumulated Depreciation	425,044	45,003	51,539	418,508
Total Capital Assets Being Depreciated, Net	598,427	(35,332)	49,479	513,616
Total Governmental Activity Assets, Net	<u>\$ 620,801</u>	<u>\$ (35,332)</u>	<u>\$ 49,479</u>	<u>\$ 535,990</u>

Capital asset activity for business-type activities for the year ended June 30, 2004, was as follows:

	Balance 7-01-03	Additions	Deletions	Balance 6-30-04
Capital Assets Not Being Depreciated				
Land	\$ 2,020,338	\$ 6,500	\$ -	\$ 2,026,838
Total Capital Assets Not Being Depreciated	2,020,338	6,500	-	2,026,838
Capital Assets Being Depreciated				
Building and Improvements	966,279	-	-	966,279
Equipment	88,252	-	-	88,252
Land Improvements	110,258	1,277,628	-	1,387,886
Total Capital Assets Being Depreciated	1,164,789	1,277,628	-	2,442,417
Less Accumulated Depreciation For				
Building and Improvements	144,451	26,473	-	170,924
Equipment	48,632	8,825	-	57,457
Land Improvements	23,914	42,422	-	66,336
Total Accumulated Depreciation	216,997	77,720	-	294,717
Total Capital Assets Being Depreciated, Net	947,792	1,199,908	-	2,147,700
Total Business-type Activity Assets, Net	<u>\$ 2,968,130</u>	<u>\$ 1,206,408</u>	<u>\$ -</u>	<u>\$ 4,174,538</u>

MAYFIELD TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2004

NOTE 4 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 43,423
Public Safety	<u>1,580</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 45,003</u>
Business-type Activities:	
Airport Fund	<u>\$ 77,720</u>
Total Depreciation Expense – Business-type Activities	<u>\$ 77,720</u>

NOTE 5 – LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2004:

	Interest Rate	Maturing	Balance 7/1/03	Proceeds	Payments	Outstanding 6/30/04
Governmental Activities:						
Kamax, L.P. Contract						
Issued 6/10/80	N/A	N/A	<u>\$ 167,523</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 167,523</u>
Business-Type Activities:						
Independent Bank #9001						
Issued 12/2/98	5.4%	12/02/13	\$ 103,038	\$ -	\$ 7,454	\$ 95,584
Independent Bank #9002						
Issued 1/4/99	5.4%	01/02/14	113,087	-	8,218	104,869
Independent Bank #9003						
Issued 1/14/99	5.4%	01/02/14	30,118	-	2,243	27,875
Independent Bank #0004						
Issued 2/24/99	5.4%	02/24/13	8,253	-	631	7,622
Independent Bank #9004						
Issued 11/9/00	5.6%	12/02/15	73,768	-	2,488	71,280
Independent Bank #9005						
Issued 1/2/01	5.6%	02/02/16	90,893	-	3,048	87,845
Independent Bank #9006						
Issued 1/2/01	5.6%	01/02/16	<u>27,934</u>	<u>-</u>	<u>730</u>	<u>27,204</u>
			\$ 447,091	\$ -	\$ 24,812	\$ 422,279
Less Current Portion						<u>26,565</u>
Total Business-type Activities						<u>\$ 395,714</u>
Total Government-wide						<u>\$ 563,237</u>

The Kamax, L.P., contract was entered into for the construction of a municipal water system. The contract is to be repaid at such time as tap-in fees and water use fees are sufficient to cover the normal costs of operations and generate a surplus. Presently, the sole user of the system is Kamax, L.P., and they are charged only for actual costs incurred.

**MAYFIELD TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2004**

NOTE 5 – LONG-TERM DEBT (Continued)

Total principal and interest payment requirements for the next five years and beyond are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 26,565	\$ 22,556	\$ 49,121
2006	28,050	21,071	49,121
2007	29,618	19,503	49,121
2008	31,273	17,848	49,121
2009	33,022	16,099	49,121
After 2009	273,751	58,799	332,550
Total	<u>\$ 422,279</u>	<u>\$ 155,876</u>	<u>\$ 578,155</u>

NOTE 6 – PROPERTY TAXES

The Township's property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2003 tax is levied and collectible on December 1, 2003, and is recognized as revenue in the year ended June 30, 2004, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2003 taxable valuation of the Township totaled approximately \$178,340,604 on which taxes levied consisted of 1.5948 mills for operating purposes. This resulted in approximately \$284,000 for operating purposes. This amount was recognized in the General Fund financial statements as tax revenue.

NOTE 7 – PENSION PLAN

The Township makes annual contributions to the Manulife Financial Defined Contribution Plan for Governmental Employees for all eligible employees.

The Township contributed \$33,676 to the plan for the year ended June 30, 2004.

NOTE 8 – FIRE DEPARTMENT CONTRACT

The City of Lapeer provides fire department services to Mayfield Township. The City of Lapeer was paid a standby fee of \$26,000 for the period from July 1, 2003 through June 30, 2004. The City also charges additional fees for each fire run.

The additional fees are paid by Mayfield Township when billed by the fire departments. The Township then bills the person who was provided the fire run service.

**MAYFIELD TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2004**

NOTE 9 – RELATED PARTY TRANSACTION

The Township has entered into a contract with Davis and Sons Landscaping (owned and operated by the husband of the Township Clerk, Kendra Davis) covering the maintenance and operation of the Township hall; summer and winter grounds maintenance for the three year period beginning March 16, 2003 and ending March 15, 2006, and the maintenance and operation of the cemetery summer and winter grounds maintenance for the three year period beginning April 1, 2003 and ending March 31, 2006. The contract amounts are:

	<u>Cemetery</u>	<u>Hall</u>
Year 1	\$ 38,316	\$ 6,936
Year 2	39,456	7,152
Year 3	40,644	7,368

NOTE 10 – SCHEDULE OF CONTRIBUTED CAPITAL

Dupont Airport (Enterprise Fund):

	<u>BALANCE 7/1/03</u>	<u>RECLASSIFIED TO NET ASSETS</u>	<u>BALANCE 6/30/04</u>
Federal Grants	\$ 2,201,081	\$ 2,201,081	\$ -
State Grants	170,211	170,211	-
	2,371,292	2,371,292	-
Less: Accumulated Depreciation	140,598	140,598	-
	<u>\$ 2,230,694</u>	<u>\$ 2,230,694</u>	<u>\$ -</u>

NOTE 11 – RISK MANAGEMENT

The Township has exposure to risks of loss due to torts, errors, omissions, and property loss. The Township manages these risks by purchasing commercial insurance.

NOTE 12 – CONTINGENCIES

The Township continuously prosecutes certain District Court ordinance enforcement matters. These District Court matters do not involve costs to the Township beyond prosecution expenses.

REQUIRED SUPPLEMENTAL INFORMATION

MAYFIELD TOWNSHIP
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
TAXES:				
Property Taxes	\$ 290,810	\$ 290,810	\$ 292,232	\$ 1,422
Collection Fees and Penalties	34,500	34,500	36,972	2,472
TOTAL TAXES	325,310	325,310	329,204	3,894
LICENSES, PERMITS AND FEES:				
Board of Appeals Fees	1,500	1,500	1,500	-
Franchise Fees	25,165	25,165	25,738	573
Liquor Licenses	1,500	1,500	1,646	146
Parcel Split Fees	1,500	1,500	1,560	60
Rezoning Fees	850	850	1,700	850
Zoning Permits and Fees	5,000	5,000	5,415	415
TOTAL LICENSES, PERMITS AND FEES	35,515	35,515	37,559	2,044
INTERGOVERNMENTAL :				
State Revenue Sharing	539,000	539,000	547,915	8,915
TOTAL INTERGOVERNMENTAL	539,000	539,000	547,915	8,915
CHARGES FOR SERVICES:				
Fire Fines	30,000	30,000	40,115	10,115
Property Transfers	-	-	-	-
Special Meetings	2,200	2,200	2,275	75
Water Line	3,100	3,100	3,185	85
TOTAL CHARGES FOR SERVICES	35,300	35,300	45,575	10,275
FINES AND FORFEITS:				
Fines and Forfeits	5,500	5,500	6,772	1,272
TOTAL FINES AND FORFEITS	5,500	5,500	6,772	1,272
MISCELLANEOUS SOURCES:				
Hall Rental	21,000	21,000	22,477	1,477
Interest Earned	5,700	5,700	6,192	492
Other Revenue	775	775	14,251	13,476
Sale of Fixed Assets	1,500	1,500	4,603	3,103
Sale of Materials and Duplicating	250	250	350	100
TOTAL MISCELLANEOUS SOURCES	29,225	29,225	47,873	18,648
TOTAL REVENUES	969,850	969,850	1,014,898	45,048

MAYFIELD TOWNSHIP
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES				
GENERAL GOVERNMENT				
LEGISLATIVE:				
Salary	\$ 9,000	\$ 9,000	\$ 9,000	\$ -
Per Diem	1,000	1,000	1,175	(175)
Fringe Benefits	1,700	1,700	-	1,700
FICA Expense	765	765	720	45
Office Supplies	100	100	30	70
Transportation	100	100	96	4
TOTAL LEGISLATIVE	12,665	12,665	11,021	1,644
SUPERVISOR:				
Salary	25,300	25,300	25,300	-
Per Diem	250	250	-	250
Fringe Benefits	4,344	4,344	3,410	934
FICA Expense	1,955	1,955	1,935	20
Office Supplies	100	100	15	85
Computer Software/Upgrades	1,500	1,500	-	1,500
Transportation	200	200	-	200
Bonds and Insurance	-	-	-	-
Equipment	500	500	1,138	(638)
TOTAL SUPERVISOR	34,149	34,149	31,798	2,351
ELECTIONS:				
Salary	2,800	2,800	-	2,800
FICA Expense	31	31	-	31
Office Supplies	700	700	279	421
Computer Software/Upgrades	-	-	-	-
Printing and Publishing	200	200	53	147
Equipment	200	200	-	200
TOTAL ELECTIONS	3,931	3,931	332	3,599
AUDITOR:				
Professional Services	6,000	7,550	7,515	35
TOTAL AUDITOR	6,000	7,550	7,515	35
ASSESSOR:				
Salary	19,800	19,800	19,800	-
Fringe Benefits	3,366	3,366	3,366	-
FICA Expense	1,515	1,515	1,515	-
Office Supplies	1,500	1,500	1,188	312
Computer Software/Upgrades	2,000	2,000	2,535	(535)
Contractual Services	12,000	12,000	7,000	5,000
Tax Roll Preparation	-	-	57	(57)
Property Appraisal	24,000	24,000	24,000	-

MAYFIELD TOWNSHIP
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued)				
GENERAL GOVERNMENT (Continued)				
ASSESSOR (Continued):				
Transportation	\$ 100	\$ 100	\$ -	\$ 100
Equipment	500	500	-	500
TOTAL ASSESSOR	<u>64,781</u>	<u>64,781</u>	<u>59,461</u>	<u>5,320</u>
ATTORNEY:				
Professional Services	<u>10,000</u>	<u>10,000</u>	<u>11,454</u>	<u>(1,454)</u>
TOTAL ATTORNEY	<u>10,000</u>	<u>10,000</u>	<u>11,454</u>	<u>(1,454)</u>
CLERK:				
Salary	32,400	32,400	32,400	-
Per Diem	200	200	30	170
Fringe Benefits	5,542	5,542	5,508	34
FICA Expense	2,494	2,494	2,481	13
Office Supplies	7,000	7,000	6,555	445
Computer Software/Upgrades	3,000	3,000	-	3,000
Transportation	400	400	39	361
Equipment	-	-	1,111	(1,111)
TOTAL CLERK	<u>51,036</u>	<u>51,036</u>	<u>48,124</u>	<u>2,912</u>
DEPUTY CLERK:				
Salary	12,000	12,000	10,328	1,672
Per Diem	200	200	-	200
FICA Expense	918	918	956	(38)
Transportation	<u>100</u>	<u>100</u>	<u>228</u>	<u>(128)</u>
TOTAL DEPUTY CLERK	<u>13,218</u>	<u>13,218</u>	<u>11,512</u>	<u>1,706</u>
BOARD OF REVIEW:				
Salary	500	500	359	141
Per Diem	90	90	-	90
FICA Expense	45	45	28	17
Printing and Publishing	<u>200</u>	<u>200</u>	<u>129</u>	<u>71</u>
TOTAL BOARD OF REVIEW	<u>835</u>	<u>835</u>	<u>516</u>	<u>319</u>
TREASURER:				
Salary	25,000	25,000	25,000	-
Per Diem	100	100	-	100
Fringe Benefits	4,267	4,267	-	4,267
FICA Expense	1,920	1,920	1,454	466
Office Supplies	1,500	1,500	1,813	(313)
Tax Roll Preparation	1,000	1,000	1,189	(189)
Transportation	400	400	264	136

MAYFIELD TOWNSHIP
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued)				
GENERAL GOVERNMENT (Continued)				
TREASURER (Continued):				
Bonds and Insurance	\$ -	\$ -	\$ -	\$ -
Equipment	1,000	1,000	1,071	(71)
Refunds and Rebates	100	100	264	(164)
TOTAL TREASURER	<u>35,287</u>	<u>35,287</u>	<u>31,055</u>	<u>4,232</u>
DEPUTY TREASURER:				
Salary	1,000	1,000	778	222
Per Diem	100	100	-	100
FICA Expenses	84	84	49	35
Transportation	25	25	-	25
TOTAL DEPUTY TREASURER	<u>1,209</u>	<u>1,209</u>	<u>827</u>	<u>382</u>
TOWNSHIP HALL GROUNDS:				
Salary	8,500	8,500	8,889	(389)
FICA Expense	650	650	680	(30)
Computer Software/Upgrades	500	500	2,929	(2,429)
Operating/Maintenance Supplies	7,000	7,000	6,401	599
Contractual Services	7,000	7,000	6,990	10
Telephone	3,000	3,000	2,688	312
Burglar Alarm Fee	200	200	156	44
Internet Service	1,000	1,000	839	161
Printing and Publishing	3,500	3,500	2,604	896
Newsletter/Website	1,500	1,500	1,070	430
Bonds and Insurance	12,000	12,000	14,521	(2,521)
Utilities	10,000	10,000	8,757	1,243
Garbage Disposal	800	800	895	(95)
Grounds - Repairs/Maintenance	5,000	5,000	-	5,000
Equipment - Repairs/Maintenance	10,500	10,500	835	9,665
Building - Repairs/Maintenance	5,000	5,000	1,446	3,554
Office Equip. - Leased	500	500	232	268
Office Equip. - Maint./Service Contract	6,000	6,000	4,131	1,869
Equipment	2,000	2,000	2,104	(104)
TOTAL TOWNSHIP HALL GROUNDS	<u>84,650</u>	<u>84,650</u>	<u>66,167</u>	<u>18,483</u>
GENERAL OFFICE:				
Salary	28,000	30,000	29,664	336
Fringe Benefits	3,111	3,111	3,192	(81)
FICA Expenses	2,142	2,500	2,791	(291)
Computer Software/Upgrades	500	500	-	500
Transportation	150	150	-	150
Meals and Lodging	2,000	2,000	31	1,969

MAYFIELD TOWNSHIP
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued)				
GENERAL GOVERNMENT (Continued)				
GENERAL OFFICE (Continued):				
Miscellaneous	\$ 3,000	\$ 3,000	\$ 848	\$ 2,152
Dues	5,000	5,000	5,613	(613)
Education and Training	2,000	2,000	315	1,685
Conferences and Conventions	1,000	1,000	245	755
Equipment	1,500	1,500	-	1,500
Insurance	5,300	5,650	4,676	974
Pension	32,000	34,000	33,676	324
TOTAL GENERAL OFFICE	<u>85,703</u>	<u>90,411</u>	<u>81,051</u>	<u>9,360</u>
 TOTAL GENERAL GOVERNMENT	 <u>403,464</u>	 <u>409,722</u>	 <u>360,833</u>	 <u>48,889</u>
 PUBLIC SAFETY				
LAW ENFORCEMENT:				
Office Supplies	100	100	-	100
Computer Software/Upgrades	250	250	-	250
Operating/Maintenance Supplies	250	250	10	240
Gas Usage - Patrol Car	6,000	6,100	7,723	(1,623)
Contractual Services	205,500	205,500	204,444	1,056
Bonds and Insurance	1,000	1,000	-	1,000
Equipment - Repairs/Maintenance	5,000	5,000	4,881	119
Equipment	1,000	1,000	2,478	(1,478)
Vehicles	-	-	-	-
TOTAL LAW ENFORCEMENT	<u>219,100</u>	<u>219,200</u>	<u>219,536</u>	<u>(336)</u>
 FIRE SERVICE:				
Contractual Services	15,300	15,300	26,000	(10,700)
Fire Runs	115,000	115,000	85,450	29,550
Hazardous Material	2,500	2,500	-	2,500
TOTAL FIRE SERVICE	<u>132,800</u>	<u>132,800</u>	<u>111,450</u>	<u>21,350</u>
 PLANNING:				
Salary	4,000	4,000	3,608	392
Per Diem	200	200	150	50
FICA Expense	337	337	288	49
Office Supplies	200	200	20	180
Computer Software/Upgrades	-	-	-	-
Contractual Services	10,160	10,160	12,179	(2,019)
Zoning Administrator	27,600	27,600	27,600	-
Transportation	100	100	162	(62)
Printing and Publishing	1,500	1,500	1,291	209
Miscellaneous	500	500	-	500

MAYFIELD TOWNSHIP
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued)				
PUBLIC SAFETY (Continued)				
PLANNING (Continued):				
Education and Training	\$ 350	\$ 350	\$ 60	\$ 290
Conferences and Conventions	1,000	1,000	664	336
Equipment	1,000	1,000	-	1,000
TOTAL PLANNING	<u>46,947</u>	<u>46,947</u>	<u>46,022</u>	<u>925</u>
BOARD OF APPEALS:				
Salary	1,000	1,808	2,046	(238)
Per Diem	200	200	-	200
FICA Expense	92	92	150	(58)
Transportation	100	100	-	100
Education and Training	300	300	30	270
TOTAL BOARD OF APPEALS	<u>1,692</u>	<u>2,500</u>	<u>2,226</u>	<u>274</u>
CROSSING GUARD				
Contractual Services	1,000	1,200	683	517
TOTAL CROSSING GUARD	<u>1,000</u>	<u>1,200</u>	<u>683</u>	<u>517</u>
TOTAL PUBLIC SAFETY	<u>401,539</u>	<u>402,647</u>	<u>379,917</u>	<u>22,730</u>
PUBLIC WORKS				
Drains	6,000	20,000	19,713	287
Highways, Streets and Bridges	350,000	350,000	268,827	81,173
Street Lighting	8,000	8,000	8,049	(49)
Sewer	4,000	5,400	-	5,400
Recycling	7,400	7,400	4,308	3,092
Transportation Authority	11,000	15,000	14,547	453
Dupont Water Line	2,800	3,800	3,573	227
Ambulance	25,000	25,000	11,489	13,511
TOTAL PUBLIC WORKS	<u>414,200</u>	<u>434,600</u>	<u>330,506</u>	<u>104,094</u>
CONTINGENCY	<u>50,000</u>	<u>39,234</u>	<u>-</u>	<u>39,234</u>
TOTAL EXPENDITURES	<u>1,269,203</u>	<u>1,286,203</u>	<u>1,071,256</u>	<u>214,947</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(299,353)</u>	<u>(316,353)</u>	<u>(56,358)</u>	<u>259,995</u>

MAYFIELD TOWNSHIP
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ -	\$ -	\$ -
Transfers Out	(23,000)	(6,000)	(6,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(23,000)</u>	<u>(6,000)</u>	<u>(6,000)</u>	<u>-</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(322,353)	(322,353)	(62,358)	259,995
FUND BALANCE - JULY 1, 2003	<u>576,484</u>	<u>576,484</u>	<u>576,484</u>	<u>-</u>
FUND BALANCE - JUNE 30, 2004	<u>\$ 254,131</u>	<u>\$ 254,131</u>	<u>\$ 514,126</u>	<u>\$ 259,995</u>

See Notes to Required Supplemental Information.

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

**MAYFIELD TOWNSHIP
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
FOR YEAR ENDED JUNE 30, 2004**

BUDGETARY INFORMATION

The annual budget is prepared by the Township Supervisor and adopted by the Township Board; subsequent amendments are approved by the Township Board.

The budget has been prepared in accordance with generally accepted accounting principles for the General Fund and all Special Revenue Funds.

The budget has been adopted on a cost center basis; expenditures at this level, in excess of amounts budgeted, are a violation of Michigan Law. Comparison of actual results of operations to the budgets of the General Fund and Major Special Revenue Funds, as adopted by the Township Board, are included in the Required Supplemental Information of the basic financial statements. A comparison of the actual results of operations to the Non-major Special Revenue Funds budgets, as adopted by the Township, is included the Other Supplemental Information section of the financial statements.

EXCESS OF EXPENDITURES OVER BUDGETED AMOUNTS

The Township had material expenditure budget overruns as follows:

<u>Fund and Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
NONE FOUND			

OTHER SUPPLEMENTAL INFORMATION

**MAYFIELD TOWNSHIP
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004**

	Special Revenue Funds			
	Crossing Guard Fund	Disaster Contingency Fund	Drug Law Enforcement Fund	Revolving Improvement Fund
ASSETS				
Cash in Bank				
Demand Deposits	\$ 2,454	\$ 20	\$ 1,265	\$ -
Investments	-	-	-	22,457
TOTAL ASSETS	<u>\$ 2,454</u>	<u>\$ 20</u>	<u>\$ 1,265</u>	<u>\$ 22,457</u>
LIABILITIES				
Due to General Fund	179	-	-	-
TOTAL LIABILITIES	<u>179</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND EQUITY				
Fund Balance				
Unreserved - Undesignated	2,275	20	1,265	22,457
TOTAL FUND EQUITY	<u>2,275</u>	<u>20</u>	<u>1,265</u>	<u>22,457</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,454</u>	<u>\$ 20</u>	<u>\$ 1,265</u>	<u>\$ 22,457</u>

Building Fund	Cemetery Operating Fund	Expendable Cemetery Trust Fund	Permanent Fund	Total Non-major Governmental Funds
			Cemetery Perpetual Care Fund	
\$ 1,151	\$ 2,972	\$ 127	\$ 61	\$ 8,050
-	-	-	94,548	117,005
<u>\$ 1,151</u>	<u>\$ 2,972</u>	<u>\$ 127</u>	<u>\$ 94,609</u>	<u>\$ 125,055</u>
\$ -	\$ 250	\$ -	\$ -	\$ 250
-	-	-	-	179
-	250	-	-	429
<u>1,151</u>	<u>2,722</u>	<u>127</u>	<u>94,609</u>	<u>124,626</u>
<u>1,151</u>	<u>2,722</u>	<u>127</u>	<u>94,609</u>	<u>124,626</u>
<u>\$ 1,151</u>	<u>\$ 2,972</u>	<u>\$ 127</u>	<u>\$ 94,609</u>	<u>\$ 125,055</u>

MAYFIELD TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004

	Special Revenue Funds			
	Crossing Guard Fund	Disaster Contingency Fund	Drug Law Enforcement Fund	Revolving Improvement Fund
REVENUES				
Taxes	\$ 1,344	\$ -	\$ -	\$ -
Licenses and Fees	-	-	-	-
Charges for Services	-	-	-	-
Fines and Forfeitures	-	-	265	-
Interest	-	-	-	194
Other Revenue	-	-	-	-
TOTAL REVENUES	<u>1,344</u>	<u>-</u>	<u>265</u>	<u>194</u>
EXPENDITURES				
Building	-	-	-	-
Cemetery	-	-	-	-
Public Safety	<u>1,340</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>1,340</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>4</u>	<u>-</u>	<u>265</u>	<u>194</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	-	-
Operating Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>4</u>	<u>-</u>	<u>265</u>	<u>194</u>
FUND BALANCE - JULY 1, 2003	<u>2,271</u>	<u>20</u>	<u>1,000</u>	<u>22,263</u>
FUND BALANCE - JUNE 30, 2004	<u><u>\$ 2,275</u></u>	<u><u>\$ 20</u></u>	<u><u>\$ 1,265</u></u>	<u><u>\$ 22,457</u></u>

Building Fund	Cemetery Operating Fund	Expendable Cemetery Trust Fund	Permanent Fund	Total Non-major Governmental Funds
			Cemetery Perpetual Care Fund	
\$ -	\$ -	\$ -	\$ -	\$ 1,344
3,300	-	-	-	3,300
69,576	35,792	-	4,800	110,168
-	-	-	-	265
-	-	4,694	-	4,888
-	-	-	-	-
<u>72,876</u>	<u>35,792</u>	<u>4,694</u>	<u>4,800</u>	<u>119,965</u>
73,070	-	-	-	73,070
-	47,200	-	-	47,200
-	-	-	-	1,340
<u>73,070</u>	<u>47,200</u>	<u>-</u>	<u>-</u>	<u>121,610</u>
<u>(194)</u>	<u>(11,408)</u>	<u>4,694</u>	<u>4,800</u>	<u>(1,645)</u>
-	10,696	-	-	10,696
-	-	(4,696)	-	(4,696)
<u>-</u>	<u>10,696</u>	<u>(4,696)</u>	<u>-</u>	<u>6,000</u>
(194)	(712)	(2)	4,800	4,355
<u>1,345</u>	<u>3,434</u>	<u>129</u>	<u>89,809</u>	<u>120,271</u>
<u>\$ 1,151</u>	<u>\$ 2,722</u>	<u>\$ 127</u>	<u>\$ 94,609</u>	<u>\$ 124,626</u>

BROWN & KENT, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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To the Board Members
Mayfield Township
1900 N. Saginaw Street
Lapeer, MI 48446

Dear Board Members:

We have completed our audit of the basic financial statements for Mayfield Township (the "Township"), for the year ended June 30, 2004. As a result of our audit, and in addition to our financial report, we offer the following comments and recommendations for your review and consideration. These items have been discussed with your administration.

Our Responsibility Under Generally Accepted Auditing Standards

As stated in our engagement letter dated August 27, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the basic financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the basic financial statements. During the year ended June 30, 2004, the GASB Statement No. 34 reporting model was adopted. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Budgeting

Per the Uniform Budgeting and Accounting Act (Act 2 of 1968), Section 16 of Section 141.436, excerpt attached, you are required to pass a general appropriations act for all funds except trust or agency, internal service, enterprise, debt service or capital project funds, for which you may pass a special appropriation act.

While a general appropriations act was passed for the general fund, there were no appropriation acts passed for any of the special revenue funds for the 2004-2005 fiscal year.

New Reporting Model

Governmental Accounting Standards Board (GASB) Statement 34 is now here. You will notice a different look to the audited financial statements this year. Although there are many differences with this new reporting model the major additions were as follows:

- Management's Discussion and Analysis: Management is now required to give an overview of the Township's overall financial position and results of operations.
- Government-wide Financial Statements: The statements now adjust the traditional fund-based statements into a combined, full-accrual format. This allows a financial statement reader to see the Township's financial position from a current and longer-term perspective, including its capital assets and long-term debt.
- Budget Comparison: A financial statement reader will now be able to not only view the actual revenue and expenditures of the Township as compared to the current budget, but also as compared to the original adopted budget.
- Capital Assets and their related depreciation are now reported.

The GASB believes that this new model will provide a more complete picture of the financial position of the Township. We would be happy to schedule a time to provide a more detailed overview about this new reporting model, so that you can obtain the greatest user benefit from it.

Revenue Sharing

The Township has and will continue to feel the effects of the slow down in the State's economy. Because of slower than anticipated growth in the State's sales tax collections (the sole source of revenue sharing payments to local units of government), and the State's budget problems which have resulted in additional appropriation reductions to the revenue sharing line in the State's budget, revenue sharing payments for the State's last couple of years were less than originally projected.

With the major changes in revenue sharing occurring, we realize that the Township is regularly seeking information on projected future revenue sharing payments. To assist the Township in projecting state shared revenue payments, the Michigan Department of Treasury website is located at <http://treas-secure.state.mi.us/apps/findrevshareinfo.asp>.

We would like to thank the Board for the opportunity to serve as auditors for the Township of Lapeer. We would be happy to answer any questions you have regarding the annual financial report, and would be pleased to discuss the above comments and recommendations at your convenience.

Certified Public Accountants

August 27, 2004